Steinberg's Limited

Annual Report 1974

Universal Product Code

The appearance on grocery store shelves of products bearing coded labels of the type depicted above was the first indication to consumers of the dawning of a new era in food shopping — the Electronic Checkout System. The Universal Product Code (U.P.C.) has been adopted by the grocery retailing and manufacturing industries of North America as a means of identification for food-store items.

The first five digits of the code identify the manufacturer — for example Steinberg's has been assigned number 55476 for all our private label products. The last five digits identify the product, its size, flavour, colour and any other factors necessary for full identification.

The number code is reproduced as a combination of dark and light bars which can be read by an electronic scanning device. This is connected to a computer containing the price information for each product identified by a U.P.C.

Highlights of the Year

(Thousands of dollars)	**1974 $**	1973 $
Sales	**1,185,581**	1,002,304
Net earnings	**16,229**	16,729
Earnings per common and Class "A" share (dollars)	**2.29**	2.37
Earnings per dollar of sales	**1.37¢**	1.67¢
Dividends per common and Class "A" share (dollars)	**0.60¢**	0.45¢
Salaries, wages and employee benefits	**158,399**	134,465
Capital expenditures	**34,309**	36,329
Working capital	**23,440**	30,725
Long-term debt	**117,924**	117,747
Shareholders' equity	**141,192**	130,331
Equity per common and Class "A" share (dollars)	**18.77**	17.10
Return on equity	**11.49%**	12.84%
Total assets	**389,003**	338,292

Head Office
Alexis Nihon Plaza, 1500 Atwater Avenue,
Montreal, Canada H3Z 1Y3

On peut obtenir un exemplaire français du présent rapport annuel en s'adressant au Secrétaire de la Compagnie, Plaza Alexis Nihon, 1500 Atwater, Montréal, Canada H3Z 1Y3.

A Step into the Future

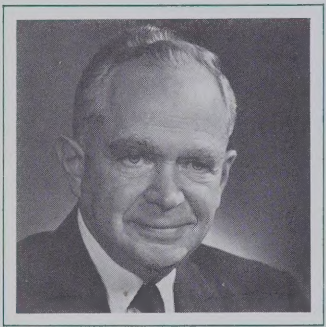
Since mid-July customers of Steinberg's Dorval Shopping Centre store have been taking part in a test of what may well prove to be the most significant advance in the food supermarket industry since the introduction of self-service stores — the successful operation of an electronic scanning checkout system utilizing the Universal Product Code.

Utilizing the latest available technology, this IBM designed system enables the cashier to process most of a customer's order without punching the cash register. The U.P.C. label is automatically read by a scanner which transmits the information to a computer. The computer analyses this data, identifies the product and retrieves the price from its memory bank. This information is then displayed on a visual panel at the checkout and printed on the customer's cash register tape. This tape shows prices and details of each item purchased.

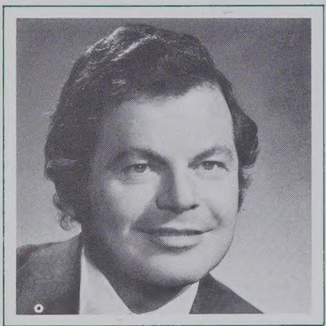
The system envisages the elimination of price marking on individual packages, thereby increasing efficiency in shelf-stocking. The automatic scanning will reduce errors and permit faster service at the checkout. The computer will provide better and more detailed information on product movement and facilitate better inventory control.

The implementation of this test project has involved a great deal of input from both our employees and our customers. To house the system a new checkout stand was designed, incorporating many unique features suggested by our cashiers. Two consumer panels have been actively involved in a critique of this test. These groups, together with in-store surveys, have given us a realistic customer reaction to the new system.

Report to the Shareholders



Sam Steinberg,
Chairman of the Board and Chief Executive Officer



Melvyn A. Dobrin,
President

The year 1974 witnessed the highest rate of inflation that Canada has experienced since the early 1950's. Steinberg's Limited was subject to the same pressures of higher costs for goods, services and wages as the rest of the country and consequently, notwithstanding the achievement of a record sales level, net earnings were slightly reduced.

During the year we noted changes in our customers' buying habits by the substitution of less expensive food items and a reduction in impulse buying. The Canadian consumer has become more price and value conscious in shopping for food, which now takes a higher proportion of the disposable dollar. The pricing and merchandising policies we follow to maintain our position as a low price leader in the retail food industry have enabled us to increase our share of market in this period of consumer resistance to inflation.

All elements of the economy were affected by the year's inflationary pressures. The high visibility of the retail food industry, coupled with rapid and significant price increases which had to be passed on to the consumer, subjected our industry to particular criticism. We believe that, on the whole, such criticism is not warranted.

The public's concern over food prices was expressed by the continuing work of the federally appointed Food Prices Review Board. This body was engaged in the study of various facets of the food industry such as sugar prices, the bread industry and the effectiveness of agricultural marketing boards. Various executives of Steinberg's devoted a great deal of time meeting and discussing with this Board different aspects of the food industry and in preparing and submitting replies to at least five of its studies and questionnaires. Generally speaking, the Board reviewed our industry carefully and objectively and in its reports has not blamed food price increases on the retailer. It has reported factually that the vast majority of price increases were justified and resulted from such diverse reasons as worldwide shortages of certain commodities, increased consumption and crop failures in North America resulting from poor weather conditions. It found that profits of food chains were not a contributing factor to price increases.

Consolidated sales for the year ended July 27, 1974 totalled $1,185,581,000 which represents an increase of 18.3% over the previous year's sales of $1,002,304,000. The Company's total net earnings of $16,229,000 were down $500,000 or 3% from the level realized in 1973. Earnings before income taxes increased $1,457,000 to $32,658,000 but the application in the current year of higher income tax rates accounted for the decline in after tax earnings. Earnings per common and Class "A" share outstanding declined from $2.37 to $2.29. Net earnings per dollar of sales for the year only equalled 1.37 cents, as compared with 1.67 cents reported for 1973. We believe that this decline in earnings is not unreasonable in the light of inflation and the operating difficulties faced by the Company during the year.

The year's results were adversely affected by a costly ten-day strike by employees of our Montreal warehousing, transportation and food processing facilities which had a very disruptive effect on our food store operations. Steinberg Foods did not meet its objectives due to a lengthy delay in the scheduled delivery and installation of new bakery equipment. In addition, the Miracle Mart division experienced operating losses. A number of reorganizational measures which already have had a noticeable effect were instituted in this division and we are well on the way to returning Miracle Mart to a profitable position.

Increased working capital requirements, particularly for the higher cost of inventories, combined with high interest rates to put pressure on 1974 earnings. We encountered shortages and greatly increased prices for petroleum-based (plastic) packaging materials, for paper supplies and innumerable other items. We also faced increases of approximately 15% to 18% on construction and equipment costs for our large expansion and modernization programme.

During the year under review our policy of improving facilities resulted in the opening of thirteen new food stores, three Miracle Marts, the Beaucoup store referred to elsewhere in this report, twelve Cardinal catalogue sales stores, twenty-two snack bars and six restaurants. In addition, construction of the automated grocery warehouse in Montreal, which is expected to be fully operational during the current year, progressed rapidly. Construction was started on a major expansion of the Ste-Foy Shopping Centre and on the complete re-development of Montenach Mall. A number of food stores were completely renovated; nine older food stores were closed, as were two Miracle Marts. At year end we operated 191 food stores and 32 Miracle Marts.

We constantly stress the importance of finding new and better ways of conducting our business. In this respect the past year has seen significant advances which, in the long run, will greatly improve the working conditions and efficiency of our employees and benefit our customers by better, faster service and higher quality products. The automated warehouse facility will improve inventory control, permitting faster movement of grocery items through the warehouse to our stores and improve overall efficiency. The new equipment and procedures in our expanded bakery will bring about faster handling of baked goods so that these products will be delivered to our stores within hours of production. Electronic scanning checkout equipment, installed on a test basis in one of our stores shortly before the year end, probably will turn out to be the most significant advance for our industry since the introduction of self-service stores. We are proud to have introduced the first successful operation of this equipment in Canada.

The strength of our management personnel is of prime importance if we are to successfully meet the increasingly complex challenges of the future. A great deal of time and effort during the year was devoted by our most senior people, at both the divisional and head office levels, to a management development programme designed to identify and develop the future leaders of the organization. The programme involves the preparation, in conjunction with each employee concerned, of developmental steps that encourage the beneficial growth of the individual.

Two important senior management appointments were made by the Board during the year. William Howieson rejoined the Company and was appointed Vice-President, Treasurer & Comptroller and Mitzi Dobrin was named Vice-President with responsibility for the Miracle Mart division.

We record with deep regret the death, during the year, of Sam Cohen, a former member of the Board who retired for reasons of health during the mid 1960's. Sam Cohen had served with the Company almost from its inception and in numerous senior positions contributed greatly to the Company's dynamic growth.

The accidental death of Marcel Inkel, our Director of Public Relations, was deeply felt by all who knew him. His warm personality, humanity and dedication are greatly missed by his associates in Steinberg's and in the numerous service organizations to which he contributed his time and talent.

Although the past year has seen a slight decrease in earnings, we at Steinberg's are fully convinced that our Company performed admirably under some very trying conditions. Our people responded to the problems which faced us with determination, resourcefulness and enthusiasm. On behalf of the Directors, we would like to express our sincere thanks to our many suppliers and to the thousands of full and part-time people who comprise our "family of employees" and of whose accomplishments we are indeed proud.

November 1, 1974

On behalf of the Board,

Sam Steinberg

Chairman of the Board

Mel Dobrin

President

Financial and Operating Review

A consumer information meeting.

Despite increased sales, earnings declined somewhat during the year—reflecting a period of great inflationary pressures on the Canadian economy and difficulties encountered in certain areas of our operations. Consumer spending remained high, but we noted a tendency towards more careful and selective buying by customers in our food stores.

Sales — Up 18%

Consolidated retail and manufacturing sales (excluding inter-divisional sales) of $1,185,581,000 were achieved in the fiscal year ended July 27, 1974. This represents an increase of $183,277,000 or approximately 18% over the 1973 sales of $1,002,304,000, reflecting a pattern of continued growth.

Consolidated sales and operating revenue equalled $1,197,319,000 in comparison to $1,012,209,000 in 1973.

Net Earnings — $16.2 Million

A decline of 3% in consolidated net earnings from $16,729,000 to $16,229,000 resulted mainly from the effects of inflation on the Company, the costly Montreal warehouse and food processing strike, delays encountered in the scheduled delivery of equipment for the bakery expansion as well as the continuing problems of the Miracle Mart Division. The food retailing divisions, the other manufacturing companies and Ivanhoe Corporation and its subsidiaries produced satisfactory results.

Earnings per common and Class "A" share showed a similar decrease to $2.29 from $2.37. Earnings per dollar of sales also showed a reduction from 1.67 cents to 1.37 cents. When earnings from our real estate companies are excluded, the net earnings for the year amounted to 1.14 cents on each dollar of merchandise we sold.

Quarterly Performance

The Company reports on a basis of three twelve-week quarters and a final quarter of sixteen weeks. The quarterly fluctuations within a year and from year to year are accounted for by seasonal demands on the retailing side and by real estate profits which, by their nature, do not arise at regular intervals.

Quarter	**1974 Net Earnings (In Thousands)**	**Per Share**	1973 Net Earnings (In Thousands)	Per Share
	$	**$**	$	$
1st	**2,861**	**0.41**	3,136	0.45
2nd	**4,520**	**0.64**	5,343	0.77
3rd	**3,394**	**0.48**	2,670	0.36
4th	**5,454**	**0.76**	5,580	0.79
	16,229	**2.29**	16,729	2.37

Depreciation

Depreciation and amortization amounted to $14.5 million compared to $12.9 million for 1973. The Company computes and reports depreciation on the straight line method at rates which are sufficient to amortize the cost of various types of assets over their estimated useful lives.

Income Taxes

The total provision for income taxes increased for the year under review to $15.8 million from $14.1 million. This increase, in both current and deferred taxes, reflects an increase in the percentage of tax payable arising partly from the expiration of certain tax credits previously allowed by Canada and Ontario. The percentage payable is slightly lower than the standard rate of corporate tax effective for the year due to the inclusion in earnings of non-taxable gains from real estate sales, the lower rate of tax paid by our manufacturing subsidiaries and gains realized on the redemption of bonds.

Assets and Liabilities

During the year under review the consolidated assets of the Company increased by approximately $50 million to $389 million. This increase in assets is principally represented by a substantial increase in inventory from $82.4 million to $113.3 million, of which $15 million is accounted for by the sharply increased cost of raw sugar supplies to Cartier Sugar Ltd. We made net additions of approximately $33 million to developed real estate and to retail and manufacturing equipment and facilities.

During the year the Company issued $5,000,000 of 2 year, 10% promissory notes. Employees purchased 21,025 Class "A" shares under the Company's stock option and stock purchase plans for a total consideration of $250,000. Long term debt remained virtually unchanged.

The Retail Council of Canada honours our Chairman for his contributions to retailing.

At the year end working capital (current assets less current liabilities) was $23,440,000, a decrease of $7.3 million. Current assets of $138.7 million were 1.2 times current liabilities of $115.3 million. We are negotiating the terms for a proposed issue of additional sinking fund debentures of Steinberg's Limited. The proceeds from this issue, the amount and interest rate of which have yet to be established, will be used to reduce short term debt which amounted to approximately $22 million at year end.

Dividends and Shareholders' Equity

The Company paid a total of $4,509,000 in dividends to its shareholders during the year. Dividends amounted to $5.25 per share on the $5^1/_4$% preferred shares and $2.45 per share on the $2^1/_2$% subordinated preferred shares. Holders of the Company's common and Class "A" shares received quarterly dividends aggregating 60 cents per share for the year.

21,025 Class "A" shares were issued to employees pursuant to stock options and under the terms of Steinberg's Employee Stock Purchase Plan — 1973. The Company redeemed 1,440 of its $5^1/_4$% cumulative redeemable preferred shares at a gain to the Company of $35,000 and redeemed 10,200 of the Company's $2^1/_2$% non-cumulative subordinated preferred shares. (Subsequent to the year end a further 10,200 subordinated preferred shares were redeemed.)

At the year end the book value of equity capital had increased by $10.8 million to $141 million. Shareholders' Equity amounted to $18.77 per common and Class "A" share, up from the $17.10 per share reported last year. The rate of return on equity declined from 12.84% to 11.49%.

Operating Divisions and Subsidiaries

Quebec Division

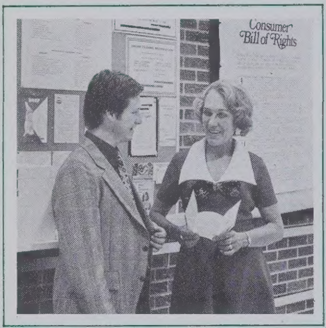
The sales and earnings of this division, which operates food stores throughout Quebec and in eastern Ontario, again exceeded those of all other divisions of the Company.

In a year in which price increases from suppliers were being received daily, this division consistently operated at low margins and offered the customer the lowest possible prices on the total food order. Despite increased competition, this merchandising policy enabled Quebec Division to achieve its best-ever sales and earnings.

To help our customers become more knowledgeable in their shopping, the existing programme of customer relations and communications has been expanded. This programme includes nutritional information in newspaper advertisements, in-store meat and produce demonstrations and other meaningful dialogue between customers and store personnel.

As in the past, management of this division concentrated on finding better, more efficient ways to serve the customer. An exciting feature late in the year was the introduction in the Dorval Shopping Centre store, on a test basis, of the new electronic checkout system utilizing the Universal Product Code. The system and the code are explained in some detail on the inside front cover of this report. A project task team, bringing together specialized personnel from a number of areas of the Company, was formed for the purpose of putting this new system into operation. While it is too early to determine its effectiveness, we can say that our employees and our customers have received it with enthusiasm.

During the fiscal year, the division opened nine new food stores, closed six others and two existing stores were completely renovated and modernized. At the year end, it operated 137 food stores. A new warehouse for frozen-food products was opened during the year. Construction of the automated grocery warehouse is nearing completion; it is expected to be fully operational next spring.



Customer relations are a high priority.

A new food store in Ontario.

Ontario Division

Ontario Division, which operates food stores in central and southwestern Ontario, achieved good improvement in both sales and earnings in 1974.

During the year, the division opened three new stores in the Toronto area and one in Grimsby. Three smaller, older stores were closed and two stores were enlarged and modernized. At the end of the fiscal year, 54 stores were in operation. Five new stores and the expansion and modernization of three existing stores are planned for the current year.

The division has placed great emphasis on building customer confidence, not only by a low-price policy, but also by increased availability of advice and information for its customers. A Customer Information Centre, under the responsibility of an in-store consumer advisor, has been established in each store. These Centres provide customers with advice and information on food, economical buying, menu planning, nutrition, etc.

Miracle Mart Division

A sales increase of seven per cent was not sufficient to offset increased operating costs and competitive factors and this division operated at a loss for the year. Miracle Mart stores have been affected by increased competition from new department stores, particularly in the Montreal area where the division has its greatest concentration, and from new types of retail outlets.

To overcome its problems, a major re-organization of this division was commenced during the year. The steps taken to date include the appointment of Mitzi Dobrin as Vice-President with full responsibility for the division, the closing during the year of two unprofitable units (another store has been closed since the year end), the reduction in size of certain stores and a re-organization of the buying and merchandising departments. These measures are a crucial phase in the profitability plans of the division's management. In the latter periods of the year they had already reduced losses considerably.

The division, during the year, instituted a series of meetings with representative consumer and community groups in a number of localities. Discussions on topics chosen by the consumers covered such items as quality control, private brands, advertising and store operations. These meetings have given management a better understanding of the areas of concern and needs of its customers, and have provided an opportunity to explain our operations to the public. The "Consumer Corner", a column devoted to items of general customer interest, has become a regular feature of Miracle Mart's newspaper advertisements.

Early in the fiscal year new stores were opened in three regional shopping centres, — Scarborough City Centre, Bayshore Shopping Centre in Ottawa and Cavendish Mall in Montreal. In January, the division consolidated its three Montreal warehousing and distribution operations to a central location. At year end the division operated 32 stores.

Cardinal Distributors Limited

This subsidiary company continued its rapid expansion programme by the opening of an additional 12 catalogue sales stores. Four of these new units are located in suburban Montreal, four in the Toronto area and one each in Fredericton, Shawinigan, Granby and Ottawa. At year end, the Company operated 33 outlets.

Sales volume in those stores that have been in operation for at least one year has shown a consistent and satisfactory growth. However, Cardinal did not achieve a profit on its operations during the fiscal year, principally because of its policy of writing off pre-opening expenses in the year a store is opened. We are satisfied that an appropriate contribution to profits will be made by this subsidiary as its units mature.

Intercity Food Services Inc.

Results of our restaurant subsidiary improved from the level reported in the previous year. Price increases received from suppliers were, of necessity, passed on to the customer; however, menu prices have been kept as low as possible.

Intercity's rapid expansion programme continued in the last year with the opening of 22 Pik-Nik snack bars and dairy bars and 2 Le Quick restaurants; five units were closed. At the year end the Company operated 119 units stretching from the Lake St. Jean region of Quebec to southwestern Ontario.

During the current year operations will be further expanded and several existing outlets will be modernized and improved.

The laboratory and experimental bakery at Phénix.

Beaucoup

This new concept in North American retailing combines a food store and a wide assortment of general merchandise utilizing central checkout facilities. Our first such unit, of 130,000 square feet located in Carrefour Laval, the largest shopping centre in the Montreal area, was opened in late March. This store, which is described in greater detail in another section of this report, is competing well in the market. Sales have been above expectation with a satisfactory mix of general merchandise to food. All pre-opening expenses were written-off in the year.

The existing Miracle Mart and food store at Bramalea City Centre are presently being converted to this type of operation.

Steinberg Foods Limited

This subsidiary encountered a wide range of operational difficulties and inefficiencies. The failure of suppliers to meet scheduled delivery and installation dates of certain equipment for the expansion of the bakery resulted in an eleven-month delay in the integration of the new and existing facilities.

A drop in sales volume was attributable to loss of production due to scarcities of certain ingredients and packaging materials, labor difficulties and a shifting of purchases by the consumer away from such items as cakes and pies, the prices of which were affected by increased ingredient costs.

We expect that the increased and more efficient production facilities will have a positive effect on earnings in the current year.

Cartier Sugar Ltd.

The past year was a difficult one for the Canadian sugar refining industry in general and for Cartier Sugar in particular. This subsidiary's earnings for the year were slightly reduced from those achieved in 1973.

The International Sugar Agreement, under which Canadian refiners had been buying raw sugar at a fixed price, expired on January 1, 1974. World sugar prices attained historic heights in February and have been increasing at an alarming rate since. These greatly inflated prices have required Cartier to borrow at the current high interest rates on the short term money market in order to finance its raw sugar requirements. Other operational expenses, chiefly fuel costs, also increased. Consumer resistance to the high retail prices resulted in a 6.5% decline in sales.

When the price of raw sugar recedes to more reasonable levels Cartier should regain its former level of profitability.

Phénix Flour Limited

A good increase in sales volume coupled with an exceptionally strong market for millfeeds enabled Phénix Flour to achieve substantially increased profits.

The price of wheat for domestic milling for human consumption was stabilized by the Federal Government in September 1973 and Phénix consequently was able to increase its sales in Canada. This increase offsets a decline in volume of export sales arising from stiff competition from the European Economic Community which offers subsidies and credit facilities not available to Canadian millers. Crop shortages, particularly in the United States, created a strong demand for millfeeds at high prices.

Long term debt was reduced by $850,000 during the year.

The factors affecting last year's performance are still present and, accordingly, the outlook for the current year is again favourable.

Ivanhoe Corporation and Subsidiaries

This wholly-owned subsidiary derived higher income from the operation of its shopping centres and other properties and from gains made on the sale of real estate. Total revenues for the year amounted to $18.9 million, compared to the $16.8 million in 1973.

Consolidated net income marginally declined from $2,766,000 to $2,736,000, principally due to substantially higher interest costs. Cash Flow from operations of $6.7 million was equal to 97 cents per common and Class "A" share outstanding of Steinberg's Limited.

Fixed assets increased by $5 million to $129 million, including an amount of $21.8 million for undeveloped land shown in the accounts at cost plus carrying charges. Long term debt outstanding to other than the parent company amounted to $73 million at year end, a reduction of $3.1 million.

Ivanhoe Financial Highlights

	July 27, 1974	July 28, 1973
	(In Thousands)	
	$	$
Total assets	**148,501**	142,549
Long term debt outstanding		
— parent company	**22,287**	19,954
— other	**72,984**	76,133
Revenue		
— rental — parent company	**7,927**	6,871
— other tenants	**8,492**	7,854
— other revenues	**2,448**	2,051
	18,867	16,776
Net earnings	**2,736**	2,766
Cash Flow from operations	**6,735**	6,388

Sod turning at Montenach Mall.

During fiscal 1974 the major projects of the Ivanhoe group of companies included: 1) the completion of construction work on the large addition to the Steinberg Foods bakery; 2) work on the construction of the expansion to the Steinberg grocery warehouse; and 3) the development, in association with Cadillac Fairview Corporation and Eaton's, of Carrefour Laval which opened in March 1974 and is the largest shopping centre complex in the Montreal area.

As a reflection of its confidence in the Canadian and Quebec economy, Ivanhoe has in excess of $20 million committed to projects presently in process and scheduled for completion over the next twelve months. These include: 1) a major expansion to Place Ste-Foy in Metropolitan Quebec increasing the size of this shopping centre to over one half-million square feet including an Eaton's department store; 2) jointly with another developer the redevelopment of Montenach Mall in Beloeil, Quebec to transform this neighborhood shopping centre to a regional centre with two department stores and approximately 60 other tenants; 3) a community shopping centre located on the south shore of Montreal, jointly owned with another retailer; and 4) a neighborhood centre in Quebec.

Ivanhoe and its subsidiaries own 28 shopping centres with a total leasable area in excess of 4.1 million square feet. These centres range from regional shopping centres to small neighborhood ones. In recent years many of the older centres have been revitalized by mall enclosures and expanded. Ivanhoe has ownership interests, as indicated, in the following large shopping centres: Greenfield Park (50%), Montenach Mall (50%), Rockland (33 1/3%), Le Carrefour Laval (24 1/2%), Cavendish Mall (15%), all in the Montreal area, Bayshore (24 1/2%) and Les Galeries de Hull (24 1/2%) in the Ottawa-Hull area and Les Rivières (24 1/2%) in Trois-Rivières.

In addition to more than 40 other retail properties, five warehouses and the bakery, most of which are leased to Steinberg's, Ivanhoe owns approximately 1,000 acres and has ownership interest varying from 20 to 51% in a further 730 acres of vacant land held for future development.

Oak Pharmacies Limited

In order to achieve a better utilization of space and return on investment, the operations of 15 of the 16 units operated by this Company within certain of our Ontario Miracle Mart and food stores were discontinued during the year. The inventory and other assets of the units closed were sold to other pharmacy operators.

Pharmaprix Limited

This Company, jointly-owned with Koffler Stores Limited, provides management advice and other specialized services relating to the non-professional operations of independent pharmacists. At year end fifteen such outlets were in operation in the Province of Quebec.

These stores are principally located in regional and other major shopping centres, thus assuring good customer traffic for both the prescription counter operation and the other related services and merchandise which are features of modern retail drug stores. In most instances, the associate pharmacist would not be in the position to obtain such prime locations without the support of Pharmaprix.

These stores have been well received by the public and sales volume is growing satisfactorily.

As a 50% owned Company, the accounts of Pharmaprix are accounted for on an equity basis and not consolidated with those of Steinberg's Limited.

Employee and Labour Relations

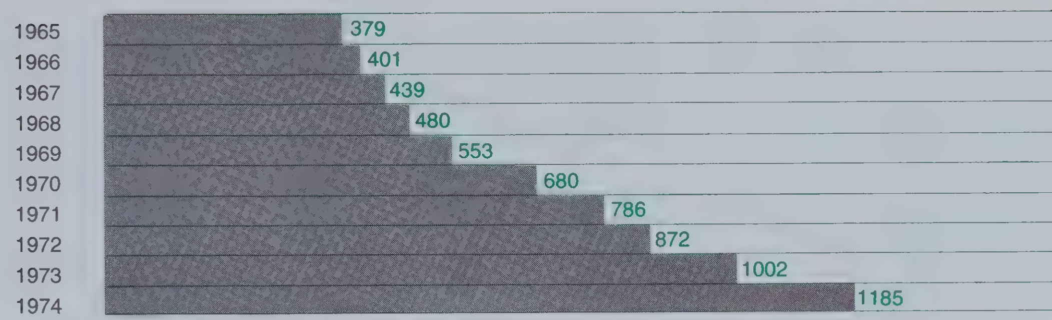
At the year end the Company had more than 11,000 full-time employees, with approximately an equal number of persons working on a part-time basis. Salaries, wages and employee benefits for the year totalled $158.4 million, up $24 million or 17.8% from the previous year.

The year was particularly busy in the field of labour relations as most of our major collective agreements expired and were re-negotiated during the period. Major agreements satisfactorily reached included those for food and Miracle Mart store employees in Montreal, Ottawa and Quebec, food store employees in the Lake St-Jean region and, shortly after the year-end, food and Miracle Mart store employees in Ontario. Our Montreal warehouse, transportation, food processing and maintenance employees were on strike for a period of ten days in December. Nine other collective agreements were satisfactorily concluded during the year.

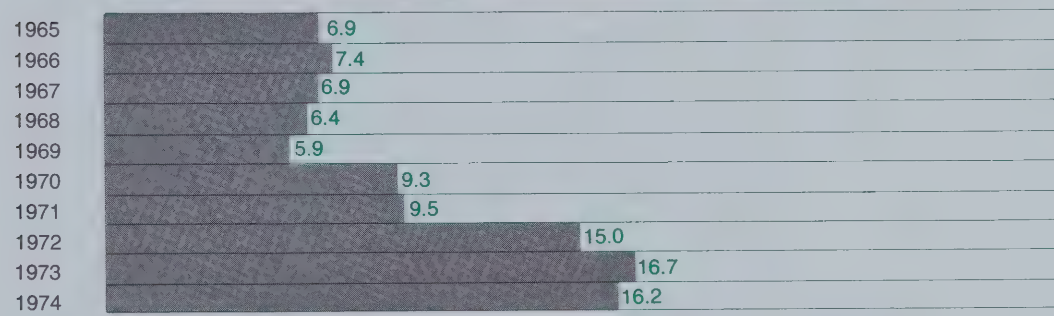
At the beginning of the year the Supplementary Pension Guarantee Plan was introduced as a Company-paid addition to the existing contributory pension and deferred profit sharing programme.

A Decade of Growth

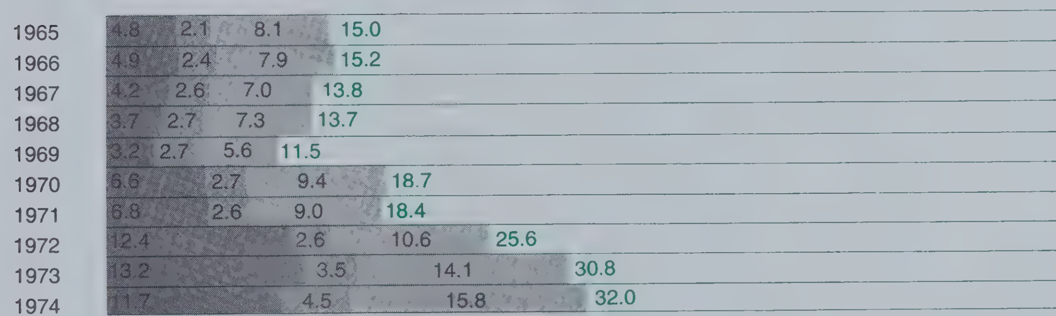
Sales
For Fiscal Years 1965 - 1974
(Millions of dollars)



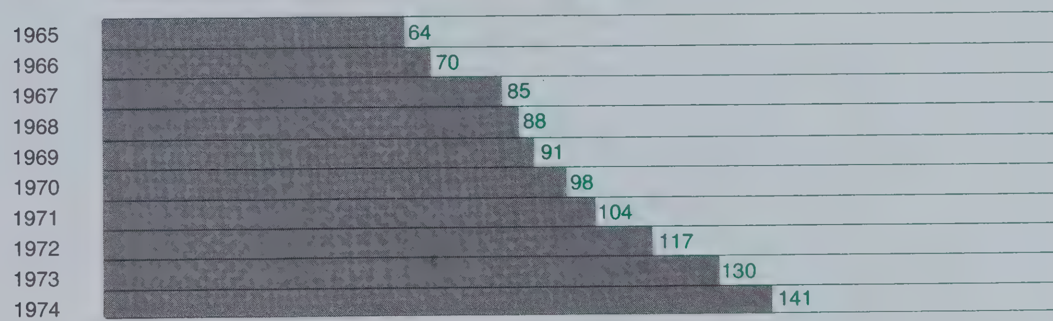
Net Earnings after Taxes
For Fiscal Years 1965 - 1974
(Millions of dollars)



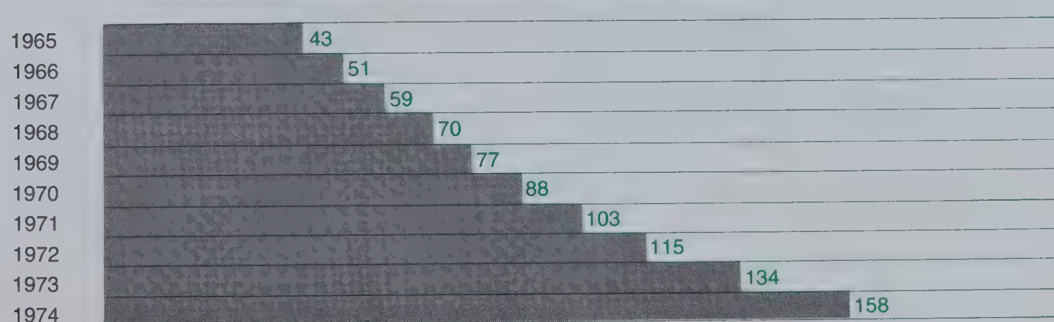
Distribution of Earnings
For Fiscal Years 1965 - 1974
(Millions of dollars)
- Earnings retained in the Company
- Dividends paid to shareholders
- Income Taxes (including deferred taxes)



Shareholders' Equity
For Fiscal Years 1965 - 1974
(Millions of dollars)



Salaries, Wages and Employee Benefits
For Fiscal Years 1965 - 1974
(Millions of dollars)



Towards Improved Efficiency

During a coffee break at Palomino Lodge, Henri Tremblay, Vice-President, Personnel and Professor Ed Schein, consultant, discuss Steinberg's management development plans.

To succeed and to grow every organization must constantly improve its methods of doing business and the capabilities of its people. This is particularly true in a period when serious economic problems must be faced and overcome. Our management development programme and the new types of facilities described on these pages are examples of the approach that Steinberg's is taking to assure continued growth and success.

The Development of People

Ours is an organization that has grown because of operating and merchandising abilities, with an air of immediate urgency enveloping the business. The excitement generated by producing results on a day-to-day basis has tended to lead managers to focus on those results with a lesser degree of attention being paid to the more low-key, long-range necessities such as identification and development of management talent for future successful growth of the organization.

The development of future senior managers has been recognized as a Company priority and we have been deeply engaged in such a programme for more than a year.

The first step in this programme involved an assessment by our most senior people of the future management needs of the Company. Our next step was to define the managerial characteristics needed by the senior manager of the future. These characteristics include personal integrity and motivation, the ability to manage conflict, to properly select and develop subordinates, to communicate clearly, to take responsibility for decisions and to identify and solve complex problems. We then reviewed our managerial personnel and identified our potential future senior managers.

Each person so identified was assessed against the desired managerial characteristics in order that his individual development needs could be determined in relation to the requirements of his current job and his probable future position within the organization.

We recognized early that: 1) the most fertile ground for relevant managerial development is work itself, and 2) that individual senior and middle managers had to play a very active part in the design of the developmental activities if the programme were to be successful.

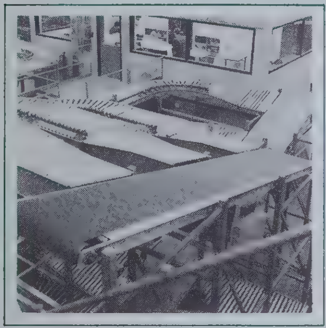
To obtain the individual manager's input into the planning of his own development was not as easy as we had originally perceived it to be. We discovered that very few managers seriously look at their long term career aspirations. That exercise seems to be restricted to youth in the throes of selecting an academic discipline.

Consequently, to make career planning a truly joint process, new techniques were required to assist individual managers to broaden the perspective within which their careers, and indeed their lives, are planned.

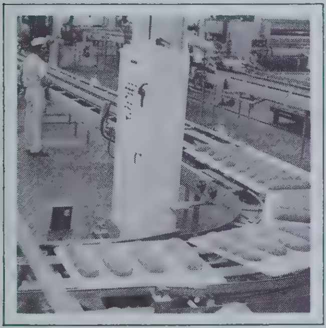
To that end, we engaged the services of a highly qualified Director of Management Development who has been working closely with outside consultants. He has formulated a Management Development Programme that is oriented towards the identification of developmental needs and the design of practical and individualized activities. This programme is a distinct departure from traditional assessment programmes which tend to require executives to formulate specific (and often personal) judgments about the relative worth of their subordinates. Steinberg's new programme rather encourages the development of a more sensitive "boss-subordinate" relationship; this is facilitated because the programme requires the superior to make a serious evaluation of his own career aspirations.

We have come to realize from our experience to date that the effective implementation of a programme of this nature involves a high commitment of time and energy on the part of our senior executives. Because of our belief in the validity of the entire process, many of our senior people have already changed their personal style of management by giving increased authority and responsibility to their subordinates and devoting more time and attention to long-range personnel requirements.

We sincerely believe that this investment will prove to be a key to continued success of the organization in the years to come.



Control room and conveyors in the new grocery warehouse.



A new bread line in operation.

The Handling of Product

Beaucoup

For a number of years we have studied the European-developed concept of a large, combined food and general merchandise store to determine how best such a store could be adapted to Canadian needs and shopping habits. Our experience in both food and general merchandise retailing provided us with a unique opportunity to develop such an outlet. Beaucoup, which opened in March in Carrefour Laval, is the result of our study.

With 100,000 square feet of selling area, Beaucoup provides the customer with a wide, attractive variety of both food products and general merchandise. The store is designed for maximum customer convenience, ease of shopping and efficient operation. Forty central checkouts serve both the food and general merchandise areas. The layout, lighting, equipment, fixtures and decorations all meet our normal high standards.

The meat department features a triple deck counter, stocked from the cutting room to ensure that the product does not leave a controlled temperature until selected by the customer. The grocery department has probably the best assortment of any store in Montreal and utilizes large dump baskets and rolling baskets with drop fronts as well as conventional shelving. These baskets allow more products to be on hand and permit easier and faster handling by employees. The air-curtained counter used to display fresh fruits and vegetables maintains them at the peak of freshness.

Two-thirds of the sales area is devoted to a full range of general merchandise items such as health and beauty aids, clothing and accessories, home entertainment items, toys, camping and sporting goods, hardware and paint, etc. . . The wide assortment of both soft and hard goods available at Beaucoup has made it a popular shopping location for Montreal area customers.

Automated Grocery Warehouse

The use of automated and highly mechanized equipment in warehouse operations is a relatively new advance. However, the system to be introduced over the next few months in our Montreal grocery warehouse goes far beyond those in use elsewhere. To accommodate the system the usable floor area of this building has been doubled, with a forty-foot ceiling installed in the expanded area.

To ensure the proper disposition of merchandise a computer will record and control the location and movement of each pallet in the warehouse from receiving until the goods are placed in the work horse of the warehouse, the S. I. ORDERMATIC machine. Upon receipt of a store order, the Ordermatic will select the proper products from amongst the 2,500 different items it controls. Those selected will be moved automatically along chute and conveyor belts to the shipping area and will be assembled mechanically for loading on trucks for shipment to the stores.

The present manual selection and assembling functions will continue to be used for small items, those that require repacking and approximately twenty percent of the normal grocery items.

The new system will give us faster, more accurate information on grocery inventory in the warehouse and will permit us to turn over this inventory more quickly.

Bakery Expansion

We expect the $8.5 million expansion to the bakery and food processing plant operated by Steinberg Foods Limited to be fully operational by January.

In addition to new lines to produce specialty hearth breads, doughnuts, cakes, cookies and rolls, as well as a higher volume of our standard types of bread, this plant will have additional holding and blast freezers as well as a test kitchen, an expanded quality control laboratory and other complementary facilities.

The ingredients for the bakery products are selected and mixed automatically in accordance with established recipes; the mixed dough is moved through the ovens and the finished product is machine wrapped, automatically assembled and passed to a holding area or to a shipping area for delivery to stores. The entire process takes place with a minimum of human intervention.

The additional capacity and new methods to be followed will permit us to ship almost immediately after baking.

Consolidated Balance Sheet

as at July 27, 1974

ASSETS

	(Thousands of dollars)	Cost $	Accumulated depreciation $	1974 $	1973 $
Current Assets	Cash			**7,329**	11,405
	Accounts receivable			**11,881**	10,302
	Inventories — at the lower of cost or market			**113,283**	82,391
	Prepaid expenses			**6,232**	5,037
				138,725	109,135
Other Assets (note 2)				**14,335**	12,876
Fixed Assets — Real estate operations	Undeveloped land — at cost plus carrying charges			**21,769**	20,538
	Land, buildings and parking areas — at cost		137,638		
	Less: Accumulated depreciation		30,008	**107,630**	103,849
				129,399	124,387
Fixed Assets — Retail and manufacturing operations		Cost $	Accumulated depreciation $		
	Land and buildings	4,586	822	**3,764**	4,229
	Equipment	131,964	61,370	**70,594**	56,393
		136,550	62,192	**74,358**	60,622
	Leasehold improvements — at cost, less amortization			**14,983**	13,895
				89,341	74,517
Intangible Assets	Unamortized discount on long-term debt			**1,744**	1,918
	Excess of cost of shares in subsidiary companies over net book value at date of acquisition			**15,459**	15,459
				17,203	17,377
				389,003	338,292

Signed on Behalf of the Board

Sam Steinberg, *Director*

Mel Dobrin, *Director*

LIABILITIES

		1974 $	1973 $
Current Liabilities	Notes payable (note 3)	**22,225**	1,545
	Accounts payable and accrued liabilities	**91,116**	72,952
	Dividends payable	**37**	38
	Income taxes	**1,607**	3,575
	Current portion of long-term debt (note 4)	**300**	300
		115,285	78,410
Long-term Debt and Other Obligations (note 4)	Real estate operations	**72,984**	76,133
	Retail and manufacturing operations	**44,940**	41,609
		117,924	117,742
Deferred Income Taxes		**12,291**	9,952
Minority Interest	(including preferred shares — 1974 — $509,600; 1973 — $650,700)	**2,311**	1,857

SHAREHOLDERS' EQUITY

		1974 $	1973 $
Capital Stock (note 5)	Authorized —		
	77,683 cumulative redeemable preferred shares of the par value of $100 each		
	81,600 2½% non-cumulative subordinated preferred shares redeemable at their par value of $98 each		
	4,500,000 Class "A" shares without par value — non-voting		
	3,500,000 common shares without par value		
	Issued and fully paid —		
	27,683 5¼% preferred shares — Series "A"	**2,768**	2,913
	81,600 subordinated preferred shares	**7,997**	8,996
	3,947,300 Class "A" shares	**5,875**	5,625
	3,000,000 common shares	**1,500**	1,500
		18,140	19,034
Contributed Surplus (note 6)		**10,563**	10,528
Retained Earnings		**112,489**	100,769
		141,192	130,331
		389,003	338,292

Consolidated Statement of Retained Earnings

for the year ended July 27, 1974

(Thousands of dollars)	1974 $	1973 $
Balance — Beginning of Year	**100,769**	87,521
Net earnings for the year	**16,229**	16,729
	116,998	104,250
Dividends — 5 1/4% preferred shares Series "A"	**146**	154
2 1/2% subordinated preferred shares	**200**	225
Class "A" and common shares	**4,163**	3,102
	4,509	3,481
Balance — End of Year	**112,489**	100,769

Steinberg's Limited and Subsidiary Companies

Consolidated Statement of Earnings

for the year ended July 27, 1974

	(Thousands of dollars)	1974 $	1973 $
Sales and Operating Revenue		**1,197,319**	1,012,209
Expenses	Cost of sales and other operating and administrative expenses	**967,598**	815,198
	Wages and employee benefits	**157,319**	133,409
	Directors' and officers' remuneration	**1,080**	1,056
	Rentals and lease purchase payments	**14,881**	11,386
	Depreciation and amortization (note 10)	**14,473**	12,903
		1,155,351	973,952
Earnings from Operations		**41,968**	38,257
Financial (Income) and Expenses	Interest and amortization of discount on long-term debt	**8,966**	7,233
	Other interest	**1,887**	613
	Investment income, including interest earned and gain on redemption of long-term debt	**(1,543)**	(790)
		9,310	7,056
Earnings before Income Taxes		**32,658**	31,201
Income Taxes	Current	**13,495**	12,759
	Deferred	**2,339**	1,377
		15,834	14,136
Earnings before Minority Interest		**16,824**	17,065
Minority Interest		**595**	336
Net Earnings for the Year		**16,229**	16,729
Represented by:	Retail and manufacturing companies (after eliminating dividends from Ivanhoe Corporation of $750,000 in each year)	**13,493**	13,963
	Real estate companies	**2,736**	2,766
		16,229	16,729
Net Earnings per Class "A" and Common Share (note 5 (c))		**$2.29**	$2.37

Consolidated Statement of Earnings

for the year ended July 27, 1974

	(Thousands of dollars)	1974 $	1973 $
Sales	% increase 1974 — 18.29%; 1973 — 14.97%	**1,185,581**	1,002,304
Operating Expenses	Cost of sales and other operating and administrative expenses	**965,076**	812,811
	Wages and employee benefits	**156,982**	133,418
	Rentals and lease purchase payments	**22,808**	18,257
	Depreciation and amortization (note 10)	**11,474**	10,095
	% increase 1974 — 18.65%; 1973 — 14.62%	**1,156,340**	974,581
Earnings from Operations		**29,241**	27,723
Financial Expenses	Interest and amortization of discount on long-term debt	**3,299**	3,189
	Other interest	**1,818**	585
		5,117	3,774
		24,124	23,949
Income from Investments	Interest on advances — Ivanhoe Corporation	**1,741**	1,567
	Dividends on preferred shares — Ivanhoe Corporation	**750**	750
	Other, including interest earned and gain on redemption of long-term debt	**368**	266
	Gain on sale of land	**798**	
		3,657	2,583
Earnings before Income Taxes		**27,781**	26,532
Income Taxes	Current	**11,698**	11,006
	Deferred	**1,445**	655
		13,143	11,661
Earnings before Minority Interest		**14,638**	14,871
Minority Interest		**395**	158
Net Earnings for the Year		**14,243**	14,713

Ivanhoe Corporation and Subsidiary Companies

Consolidated Statement of Earnings

for the year ended July 27, 1974

	(Thousands of dollars)	1974 $	1973 $
Revenue	Rentals — Steinberg's Limited and its retail and manufacturing subsidiary companies	**7,927**	6,871
	— Other	**8,492**	7,854
	Gain on sale of land	**2,448**	2,051
		18,867	16,776
Expenses	Operating and administrative	**2,522**	2,387
	Wages and employee benefits	**1,417**	1,047
	Depreciation (note 10)	**2,999**	2,808
		6,938	6,242
Earnings from Operations		**11,929**	10,534
Financial (Income) and Expenses	Interest and amortization of discount on long-term debt — Steinberg's Limited	**1,741**	1,567
	— Other	**5,667**	4,044
	Other interest	**69**	28
	Investment income, including interest earned and gain on redemption of long-term debt	**(1,175)**	(524)
		6,302	5,115
Earnings before Income Taxes		**5,627**	5,419
Income Taxes	Current	**1,797**	1,753
	Deferred	**894**	722
		2,691	2,475
Earnings before Minority Interest		**2,936**	2,944
Minority Interest		**200**	178
Net Earnings for the Year		**2,736**	2,766

Ivanhoe Corporation and Subsidiary Companies

Consolidated Statement of Cash Flow

for the year ended July 27, 1974

	(Thousands of dollars)	1974 $	1973 $
Net Earnings for the Year		**2,736**	2,766
	Non-cash items — depreciation	**2,999**	2,808
	— deferred income taxes	**894**	722
	— other	**106**	92
Cash Flow from Operations		**6,735**	6,388
Cash Flow per Steinberg's Class "A" and Common Share (note 5 (c))		**$0.97**	$0.93

Consolidated Statement of Source and Use of Working Capital

for the year ended July 27, 1974

	(Thousands of dollars)	1974 $	1973 $
Source of Working Capital	Net earnings for the year	**16,229**	16,729
	Items not affecting working capital—		
	Depreciation and amortization	**14,647**	13,050
	Deferred income taxes	**2,339**	1,377
	Minority interest	**595**	336
	Provided from operations	**33,810**	31,492
	Additional debt and capital stock issued—		
	Notes payable	**5,567**	
	Steinberg Realty Limited—		
	Net proceeds from issue of $8^7/_8$% Series B bonds		21,505
	Non-interest bearing advances		822
	Class "A" shares to employees (1974 — 21,025 shares; 1973 — 53,114 shares)	**250**	712
		39,627	54,531
Use of Working Capital	Net additions to assets—		
	Real estate property	**8,011**	12,487
	Retail and manufacturing — fixed assets	**26,298**	23,842
	Investments and other items	**1,459**	4,779
		35,768	41,108
	Reduction of long-term debt	**5,385**	4,308
	Reduction of minority interest	**141**	72
	Redemption of Series "A" preferred shares — net	**110**	40
	Redemption of subordinated preferred shares	**999**	1,000
	Dividends	**4,509**	3,481
		46,912	50,009
Increase (Decrease) in Working Capital		**(7,285)**	4,522
Working Capital — Beginning of Year		**30,725**	26,203
Working Capital — End of Year		**23,440**	30,725

Notes to Consolidated Financial Statements

for the year ended July 27, 1974

1. Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the parent company holds an interest in excess of 50%, including those of Ivanhoe Corporation and its subsidiary companies. The investments in 50% owned companies are accounted for on the equity basis.

2. Other Assets

These are comprised as follows—

	1974	1973
	(thousands of dollars)	
50% owned companies—		
Shares—at equity	**547**	520
Advances	**1,766**	1,004
	2,313	1,524
Affiliated companies—		
Shares—at cost	**694**	694
Advances	**68**	68
	762	762
Amounts recoverable from land transactions and other items	**11,260**	10,590
	14,335	12,876

3. Notes Payable

These consist of notes payable due to banks and others and in total are less than the companies' established bank lines of credit.

4. Long-Term Debt and Other Obligations

	1974	1973
	(thousands of dollars)	
Real estate operations—		
First mortgage sinking fund bonds—		
Ivanhoe Corporation—		
6 3/4% Series A, due 1991	**4,740**	4,903
6 1/4% Series B, due 1991 (repayable in U.S. currency $2,060,000; 1973—$2,127,000)	**2,242**	2,306
Steinberg's Properties Limited—		
4 1/2% Series A, due 1980	**788**	1,312
6% Series "B", "C" and "D", due 1982-84	**4,832**	5,638
Steinberg's Shopping Centres Limited—		
7% Series A, due 1985	**4,922**	5,328
8 1/2% Series B, due 1994	**4,109**	4,293
Steinberg Realty Limited—		
8 1/2% Series A, due 1991	**14,732**	14,944
8 7/8% Series B, due 1993	**21,883**	22,000
	58,248	60,724
Sinking fund requirements for the above bonds total $9,919,000 for the five ensuing years. The excess of bonds cancelled or purchased for redemption to date over the cumulative sinking fund requirements at July 27, 1974 amounting to $3,114,500 may be applied against these requirements.		
Mortgage loans and balances payable on land purchases—		
6% - 9% balances payable on land purchases	**3,375**	2,090
5 1/2% - 7 1/2% mortgage loans, repayable in varying monthly instalments to 1985	**8,763**	9,355
10 1/2% mortgage loan repayable in monthly instalments to 1996	**941**	962
	13,079	12,407
Advances—		
Non-interest bearing	**529**	1,432
6% - 8 1/2% due on demand	**561**	70
Bank term loan due January 15, 1974 at 3/4 of 1% above prime		1,500
Bank term loan due August 1, 1975 at 1/4 of 1% above prime	**567**	
	1,657	3,002
	72,984	76,133

4. Long-Term Debt and Other Obligations (cont'd)

Due to the nature of the real estate operations the current portion due within one year has not been included under current liabilities. This portion will be financed in the same period from rental income under lease agreements which has not been included in accounts receivable.

	1974	1973
	(thousands of dollars)	
Retail and manufacturing operations—		
Sinking fund debentures—		
Steinberg's Limited—		
$5^3/_4$% due June 15, 1984—Series "A"	**9,518**	9,827
$6^5/_8$% due April 15, 1986—Series "B"	**10,303**	10,707
$8^5/_8$% due May 15, 1992—Series "C"	**19,894**	20,000
	39,715	40,534
Sinking fund requirements for the above debentures are $1,000,000 in 1975 and $1,250,000 in each of the ensuing four years. The excess of bonds cancelled or purchased for redemption to date over the cumulative sinking fund requirements at July 27, 1974 amounting to $2,284,000 may be applied against these requirements.		
Notes payable—		
10% due August 1, 1976	**5,000**	
Other obligations—		
Bank term loan, bearing interest at 1% above prime, repayable in equal monthly instalments of $25,000 to 1978	**525**	1,375
	45,240	41,909
Current portion due within one year	**300**	300
	44,940	41,609

5. Capital Stock

(a) Supplementary letters patent were granted July 15, 1974 reducing the authorized capital of the company by cancelling 1,440 Series "A" preferred shares and 10,200 subordinated preferred shares.

(b) During the year 1,440 Series "A" preferred shares were redeemed. The subordinated preferred shares are subject to the restriction that the company may redeem such shares to a maximum of $1,000,000 in each year. During the year, the company redeemed 10,200 shares at par for a consideration of $999,600. Subsequent to July 27, 1974, the company redeemed a further 10,200 shares at par for a consideration of $999,600.

(c) As at July 27, 1974 the company has reserved 280,100 Class "A" shares as follows:

	Number of shares	Price per share
Options to senior employees—		
Exercisable to November 30, 1978	84,825	$12.00
November 30, 1978	5,000	$19.00
November 30, 1978	69,912	$20.00
	159,737*	
Reserved for future allocation of options at a price to be determined by the Board of Directors but not less than 90% of the market value at the time of allocation	20,363	
Employee Stock Purchase Plan 1973—		
Subscription rights which will be in effect until March 31, 1976	49,790*	$19.00
Reserved for future subscriptions at a price to be determined by the Board of Directors but not less than 90% of the market value at the time of subscription	50,210	
	280,100	

*The exercise of all of the outstanding options and subscription rights would dilute earnings per Class "A" and common share by 5 cents (1973 - 6 cents) and cash flow of Ivanhoe Corporation by 3 cents (1973 - 2 cents).

(d) During the year 21,025 Class "A" shares were issued to employees for cash of $250,000.

6. Contributed Surplus

The contributed surplus as at July 27, 1974 consists of a premium on issue and conversion of shares and gains on redemption of Series "A" preferred shares amounting to $10,528,000 with respect to prior years and of a gain on redemption of Series "A" preferred shares amounting to $35,000 during 1974.

7. Retirement Plan

There are obligations for past service pension benefits amounting to $1,800,000 in accordance with actuarial estimates. These obligations are being satisfied by annual payments of $156,000 with the final payment to be made in 1990.

8. Long-Term Leases

The aggregate minimum rentals, exclusive of additional amounts based on percentage of sales, taxes, insurance and other occupancy charges under long-term leases in effect at July 27, 1974 for each of the periods shown are as follows:

	Payable to Ivanhoe Corporation and subsidiaries	Payable to others
	(thousands of dollars)	
Within 5 years	32,245	72,343
Within the next five years	26,637	65,718
Within the next five years	22,063	57,217
Within the next five years	13,713	41,775
Within the remainder of the term	2,663	36,790
	97,321	273,843

9. Contingent Liabilities

(a) Legal action
A legal action claiming $1,000,000 was instituted in 1965 against Ivanhoe Corporation for an alleged breach of sale agreement in connection with a property transaction. Counsel for the company has advised that Ivanhoe Corporation has a valid defense but that even if the action were successful, damages awarded should not exceed $25,000. The action has not yet been tried.

(b) Income taxes
As reported in prior years, the Deputy Minister of Revenue of the Province of Quebec instituted legal action against the company claiming taxes for the years 1951 to 1963 inclusive, aggregating $902,000 including interest to date of the action, on profits made through the disposition of capital assets. Judgement was awarded in favour of the company in the Quebec Superior Court; however, the Deputy Minister of Revenue has appealed the judgement to the Quebec Court of Appeal. The appeal has not yet been heard.

(c) Guarantees
(i) Ivanhoe Corporation has guaranteed bank loans, amounting to $1,189,000 of companies in which it has ownership interests.
(ii) Steinberg's Limited has guaranteed a bank loan on behalf of Pharmaprix Limited in the amount of $500,000.
(iii) Steinberg's Limited has also guaranteed jointly and severally with Koffler Stores Limited and Pharmaprix Limited leases of latter's associates in the amount of $7,409,000 payable mostly over a 20 year period.

10. Depreciation and Amortization

Depreciation of fixed assets is computed on the straight-line method at rates which are sufficient to amortize the costs over their estimated useful lives as follows:

Equipment	3 to 15 years
Building and parking areas	25 to 40 years
Leasehold improvements	10 years, or term of lease and first option

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Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Steinberg's Limited and subsidiary companies as at July 27, 1974 and the consolidated statements of earnings (including the consolidated statement of earnings of Steinberg's Limited and its retail and manufacturing subsidiary companies and the consolidated statements of earnings and cash flow of Ivanhoe Corporation and subsidiary companies), retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at July 27, 1974 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

Chartered Accountants

October 4, 1974.

Ten-Year Statistical Review

(Thousands of dollars)

For the fiscal year ended July:	1974 $	1973 $	1972 $
Sales—retail and manufacturing companies	**1,185,581**	1,002,304	871,828
Salaries, wages and employee benefits	**158,399**	134,465	114,650
Depreciation and amortization	**14,473**	12,903	11,511
Income taxes (current)	**13,495**	12,759	10,067
Income taxes (deferred)	**2,339**	1,377	552
Net earnings	**16,229**	16,729	14,972
Net earnings per dollar of sales	**1.37¢**	1.67¢	1.72¢
Net earnings per common and Class "A" share (in dollars) (2)	**2.29**	2.37	2.16
Inventories	**113,283**	82,391	68,440
Working capital	**23,440**	30,725	26,203
Total assets	**389,003**	338,292	287,848
Shareholders' equity (book value)	**141,192**	130,331	117,411
Return on equity	**11.49%**	12.84%	12.75%
Equity per common and Class "A" share (in dollars) (2)	**18.77**	17.10	15.20
Dividends to shareholders	**4,509**	3,481	2,620
Capital expenditures	**34,309**	36,329	22,456
Number of food stores (3)	**192**	187	185
Sales area in thousands of square feet	**3,018**	2,815	2,692
Number of department stores (3)	**33**	31	28
Sales area in thousands of square feet	**2,293**	2,173	2,001

(1) The figures for 1967 and subsequent years reflect the consolidation of Ivanhoe Corporation—(note 1 of financial statements).

(2) The figures for 1965 have been adjusted to reflect the subdivision of the common and Class "A" shares on a 2-1 basis in 1966.

(3) The figures for 1974 include the Beaucoup combination store.

*53 weeks.

1971* $	1970 $	1969 $	1968 $	1967(1) $	1966 $	1965* $
786,407	679,650	553,335	480,125	439,496	400,883	379,097
102,575	88,206	77,314	69,835	59,239	50,812	43,436
10,674	10.168	9,389	8,349	6,015	4,396	4,094
9,111	8,393	3,952	5,139	6,238	7,672	7,865
(111)	1,054	1,685	2,184	761	214	210
9,459	9,317	5,909	6,402	6,875	7,371	6,918
1.20¢	1.37¢	1.07¢	1.33¢	1.56¢	1.84¢	1.82¢
1.37	1.34	0.84	0.91	0.99	1.07	1.01
59,011	55,723	47,412	41,618	39,462	31,059	28,123
8,979	9,151	10,846	4,863	13,114	31,222	24,325
266,685	252,950	244,808	227,554	213,341	130,793	106,847
104,488	98,083	91,410	88,276	84,859	69,839	64,227
9.05%	9.50%	6.46%	7.25%	8.10%	10.55%	10.77%
13.41	12.36	11.37	10.89	10.51	9.81	9.04
2,608	2,666	2,671	2,665	2,645	2,431	2,136
18,428	11,631	16,860	21,616	16,919	13,794	7,053
179	176	178	175	168	157	148
2,544	2,455	2,467	2,390	2,250	2,056	1,931
26	23	22	15	15	11	10
2,138	1,980	1,904	1,430	1,430	950	867

Steinberg's Directors and Officers

DIRECTORS

Sam Steinberg
Chairman of the Board

Nathan Steinberg
Vice-Chairman of the Board

André Charron, Q.C.
President
Lévesque, Beaubien Inc.

Melvyn A. Dobrin

Mitzi S. Dobrin

James N. Doyle

Campbell W. Leach, C.A., D.C.L.

Jack Levine

Hon. Lazarus Phillips, O.B.E., Q.C.
Senior Partner
Phillips & Vineberg

Gérard Plourde
Chairman of the Board
UAP Inc.

H. Arnold Steinberg

OFFICERS

Sam Steinberg
Chairman of the Board,
Chief Executive Officer

Nathan Steinberg
Vice-Chairman of the Board,
Senior Vice-President

Melvyn A. Dobrin
President

James N. Doyle
Executive Vice-President,
Legal and Corporate Affairs

Jack Levine
Executive Vice-President,
Retailing

H. Arnold Steinberg
Executive Vice-President,
Administration and Finance

Oscar Plotnick
Senior Vice-President

Norman Auslander
Vice-President and
General Manager,
Ontario Division

Mitzi S. Dobrin
Vice-President,
Miracle Mart Division

Stanley F. English
Vice-President and
General Counsel

William Howieson
Vice-President, Treasurer
and Comptroller

Morris Ladenheim
Vice-President and Director of
Private Label Development

Malcolm N. MacIver
Vice-President,
Labour Relations

Guy Normandin
Vice-President

Sidney Pasoff
Vice-President,
Management Systems & Control

Gerry Spitzer
Vice-President and
General Manager,
Quebec Division

Henri Tremblay
Vice-President, Personnel

Ls-Gilles Gagnon
Secretary

OFFICERS OF PRINCIPAL SUBSIDIARIES

Cardinal Distributors Limited
Morris Steinberg, President
Sam Gerstel, General Manager

Cartier Sugar Ltd.
John A. Lang, President
R. A. Dickinson, Vice-President and General Manager

Intercity Food Services Inc.
Lewis Steinberg, President
Edward Lackman, Vice-President and General Manager

Ivanhoe Corporation
H. Arnold Steinberg, President
Ralph H. Ordower, Vice-President and General Manager

Phénix Flour Limited
John A. Lang, President
Guy Tremblay, Vice-President and General Manager

Steinberg Foods Limited
Guy Normandin, President and General Manager

TRANSFER AGENT

Montreal Trust Company
Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

REGISTRAR

The Royal Trust Company
Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

STOCK EXCHANGE LISTINGS

Class "A" and 5¼% Preferred Shares
- Montreal Stock Exchange
- Toronto Stock Exchange

AUDITORS

Coopers & Lybrand
Montreal

Serving Canadian Families
since 1917